

SUMMARY

Detailed below you will find Tax Relief and Spending Provisions in the Economic Stimulus which supports green jobs and energy efficiency. For further details of the bill's provisions please visit my website at <http://www.sestak.house.gov> or <http://www.recovery.org>.

TAX INCENTIVES TO CREATE JOBS AND SPUR INVESTMENT IN GREEN TECHNOLOGY

Treasury Department energy grants in lieu of tax credits. Under current law, taxpayers are allowed to claim a production tax credit for electricity produced by certain renewable energy facilities and an investment tax credit for certain renewable energy property. These tax credits help attract private capital to invest in renewable energy projects. Current economic conditions have severely undermined the effectiveness of these tax credits. As a result, the bill would allow taxpayers to receive a grant from the Treasury Department in lieu of tax credits. This grant will operate like the current-law investment tax credit. The Treasury Department will issue a grant in an amount equal to thirty percent (30%) of the cost of the renewable energy facility within sixty days of the facility being placed in service or, if later, within sixty days of receiving an application for such grant.

Long-term extension and modification of renewable energy production tax credit. The bill would extend the placed-in-service date for wind facilities for three years (through December 31, 2012). The bill would also extend the placed-in-service date for three years (through December 31, 2013) for certain other qualifying facilities: closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; waste-to-energy; and marine renewable facilities. This proposal is estimated to cost \$13.143 billion over 10 years.

Temporary election to claim the investment tax credit in lieu of the production tax credit. Under current law, facilities that produce electricity from solar facilities are eligible to take a thirty percent (30%) investment tax credit in the year that the facility is placed in service. Facilities that produce electricity from wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, waste-to-energy, and marine renewable facilities are eligible for a production tax credit. The production tax credit is payable over a ten-year period. Because of current market conditions, it is difficult for many renewable projects to find financing due to the uncertain future tax positions of potential investors in these projects. The bill would allow

facilities to elect to claim the investment tax credit in lieu of the production tax credit. This proposal is estimated to cost \$285 million over 10 years.

Repeal subsidized energy financing limitation on the investment tax credit. Under current law, the investment tax credit must be reduced if the property qualifying for the investment tax credit is also financed with industrial development bonds or through any other Federal, State, or local subsidized financing program. The bill would repeal this subsidized energy financing limitation on the investment tax credit in order to allow businesses and individuals to qualify for the full amount of the investment tax credit even if such property is financed with industrial development bonds or through any other subsidized energy financing. The cost of this proposal is included in the estimated cost of the next provision.

Removal of dollar limitations on certain energy credits. Under current law, businesses are allowed to claim a thirty percent (30%) tax credit for qualified small wind energy property (capped at \$4,000). Individuals are allowed to claim a thirty percent (30%) tax credit for qualified solar water heating property (capped at \$2,000), qualified small wind energy property (capped at \$500 per kilowatt of capacity, up to \$4,000), and qualified geothermal heat pumps (capped at \$2,000). The bill would repeal the individual dollar caps. As a result, each of these properties would be eligible for an uncapped thirty percent (30%) credit. This proposal is estimated to cost \$872 million over 10 years.

Clean renewable energy bonds ("CREBs"). The bill authorizes an additional \$1.6 billion of new clean renewable energy bonds to finance facilities that generate electricity from the following resources: wind; closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; marine renewable; and trash combustion facilities. This \$1.6 billion authorization will be subdivided into thirds: 1/3 will be available for qualifying projects of State/local/tribal governments; 1/3 for qualifying projects of public power providers; and 1/3 for qualifying projects of electric cooperatives. This proposal provides \$578 million over 10 years. For more information: <http://www.treasurydirect.gov/>

Qualified energy conservation bonds. The bill authorizes an addition \$2.4 billion of qualified energy conservation bonds to finance State, municipal and tribal government programs and initiatives designed to reduce greenhouse gas emissions. The bill would also clarify that qualified energy conservation bonds may be issued to make loans and grants for capital expenditures to implement green community programs. The bill also clarifies that qualified energy conservation bonds may be used for programs in which utilities provide ratepayers with energy-efficient property and recoup the costs of that property over an extended period of time. This proposal provides \$803 million over 10 years. For more information contact: PA ENERGY DEVELOPMENT AUTHORITY; 2 East Main Street, Norristown, PA 19401; (484) 250-5900; www.depweb.state.pa.us

Tax credits for energy-efficient improvements to existing homes. The bill would extend the tax credits for improvements to energy-efficient existing homes through 2010. Under current law, individuals are allowed a tax credit equal to ten percent (10%) of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements installed during the taxable year. This tax credit is capped at \$50 for any advanced main air circulating fan, \$150 for any qualified natural gas, propane, oil furnace or hot water boiler, and \$300 for any item of energy-efficient building property. For 2009 and 2010, the bill would increase the amount of the tax credit to thirty percent (30%) of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements during the taxable year. The bill would also eliminate the property-by-property dollar caps on this tax credit and provide an aggregate \$1,500 cap on all property qualifying for the credit. The bill would update the energy-efficiency standards of the property qualifying for the credit. This proposal is estimated to cost \$2.034 billion over 10 years. More information will be available through www.irs.gov.

\$5 million for home weatherization grants to low and middle-income families. This program will be overseen by the Office of Energy, Efficiency and Renewable Energy, which can be contacted at 202-586-9220. As of February 19th, the office is still working to put together information. When it becomes available they will update website, www.eere.energy.gov.

Tax credits for alternative refueling property. The alternative refueling property credit provides a tax credit to businesses (e.g., gas stations) that install alternative fuel pumps, such as fuel pumps that dispense E85 fuel, electricity, hydrogen, and natural gas. For 2009 and 2010, the bill would increase the 30% alternative refueling property credit for businesses (capped at \$30,000) to 50% (capped at \$50,000). Hydrogen refueling pumps would remain at a 30% credit percentage; however, the cap for hydrogen refueling pumps will be increased to \$200,000. In addition, the bill would increase the 30% alternative refueling property credit for individuals (capped at \$1,000) to 50% (capped at \$2,000). This proposal is estimated to cost \$54 million over 10 years.

Plug-in electric drive vehicle credit. The bill modifies and increases a tax credit passed into law at the end of last Congress for each qualified plug-in electric drive vehicle placed in service during the taxable year. The base amount of the credit is \$2,500. If the qualified vehicle draws propulsion from a battery with at least 5 kilowatt hours of capacity, the credit is increased by \$417, plus another \$417 for each kilowatt hour of battery capacity in excess of 5 kilowatt hours up to 16 kilowatt hours. Taxpayers may claim the full amount of the allowable credit up to the end of the first calendar quarter in which the manufacturer records its 200,000th sale of a plug-in electric drive vehicle. The credit is reduced in following calendar quarters. The credit is allowed against the alternative minimum tax (AMT). The bill also restores and updates the

electric vehicle credit for plug-in electric vehicles that would not otherwise qualify for the larger plug-in electric drive vehicle credit and provides a tax credit for plug-in electric drive conversion kits. This proposal is estimated to cost \$2.002 billion over 10 years.

SPENDING PROVISIONS TO SUPPORT GREEN TECHNOLOGY

Energy Efficiency Programs

- The following programs are run by the Office of Energy, Efficiency and Renewable Energy, which can be reached at 202-586-9220. As of February 19, the office was still working to put together information. When it becomes available they will update their website, www.eere.energy.gov
 - o \$300 million for funding for Energy Star program offering tax credits to consumers purchasing new, efficient appliances.
 - o \$2 billion for advanced batteries manufacturing grants.
 - o \$6.3 billion for energy efficiency grants to states and local governments.
 - o \$400 million for transport electrification grants.
 - o \$300 million for funding for states and local governments to buy efficient alternative fuel buses and trucks.
 - o \$2.5 billion for research and development of renewable and efficient energy technology (biomass, geothermal, base program activities into additional renewable technologies).
 - o \$4 billion for loan guarantees for standard renewables
- \$2 billion for transmission loan guarantees
- National Energy Technology Laboratory programs. For more information on the following, visit <http://www.netl.doe.gov/> and go to the "solicitations / business" tab on the left and sign up to get advanced notification.
 - o \$1 billion for fossil energy research and development
 - o \$800 million for research into low-emission coal plants
 - o \$1.52 billion for grants for industrial carbon capture and energy efficiency improvement projects
 - o \$50 million for grants for identifying sites to store carbon dioxide emissions
 - o \$20 million for grants for training and research on safe storage of carbon emission

Energy Efficiency Block Grants. The agreement appropriates \$3.2 billion for the Energy Department's Energy Efficiency Block Grant Program. The program, which was authorized by the 2007 Energy Independence and Security Act (PL 110-140), provides grants to state, local, and tribal governments to fund public facility renovation projects that would install more energy efficient building technologies and materials, and energy efficient technology demonstration projects.

Addition of permanent sequestration requirement to CO2 capture tax credit. Last year, Congress provided a \$10 credit per ton for the first 75 million metric tons of carbon dioxide captured and transported from an industrial source for use in enhanced oil recovery, and \$20 credit per ton for carbon dioxide captured and transported from an industrial source for permanent storage in a geologic formation. Facilities were required to capture at least 500,000 metric tons of carbon dioxide per year to qualify. The bill would require that any taxpayer claiming the \$10 credit per ton for carbon dioxide captured and transported for use in enhanced oil recovery must also ensure that such carbon dioxide is permanently stored in a geologic formation. This proposal is estimated to have a negligible revenue effect.

Parity for transit benefits. Current law provides a tax-free fringe benefit employers can provide to employees for transit and parking. Those benefits are set at different dollar amounts. This provision would equalize the tax-free benefit employers can provide for transit and parking. The proposal sets both the parking and transit benefits at \$230 a month for 2009, indexes them equally for 2010, and clarifies that certain transit benefits apply to federal employees. This provision is estimated to cost \$192 million over ten years.

Prioritizing Clean Water/Flood Control/Environmental Restoration

- Provides \$19 billion for clean water, flood control, and environmental restoration investments, which will create more hundreds of thousands of jobs.
 - o \$4.125 billion for flood control and water management construction, regulation and investigations. If interested in learning more about these projects contact the State Conservationist in Pennsylvania, Craig Derickson at 717-237-2203.
- Experts note that \$16 billion in water projects could be quickly obligated.

Modernizing Public Infrastructure, Including To Achieve Major Energy Cost Savings provides billions to modernize federal and other public infrastructure with investments that lead to long-term energy cost savings, including about \$4.2 billion to make improvements in DOD facilities, including housing for our troops and about \$4.5 billion to make federal office buildings more energy-efficient in order to achieve long-term savings for taxpayers.

\$53.6 billion for the State Fiscal Stabilization Fund including \$39.5 billion to local school districts using existing funding formulas, which can be used for preventing cutbacks, preventing layoffs, school modernization, or other purposes; \$5 billion to states as bonus grants for meeting key performance measures in education; and \$8.8 billion to states for high priority needs such as public safety and other critical services, which may include education and for modernization, renovation and repairs of public school facilities and institutions of higher education facilities.

\$250 million is included for energy retrofitting and green investments in HUD-assisted housing projects.

Electrical Grid Projects \$11 billion for electrical grid projects. Of that total, \$4.5 billion is for implementing "smart grid" technologies, which would sense, collect, and monitor data from a grid, provide real-time, two-way communication to help monitor or manage the grid, and provide real-time analysis and event prediction based on data that would be used to improve the reliability, quality, and performance of the electricity grid.

Renewable Electric Power Loan Guarantees. \$6 billion for the Renewable Energy and Electric Power Transmission Loan Guarantee Program, \$2 billion less than the House bill and \$3.5 billion less than the Senate version. This program provides loan guarantees to private entities to fund alternative energy research. The funds would be used for biofuel projects that use technologies that are deemed commercially viable and produce transportation fuels that will reduce greenhouse gas emissions.

Other Infrastructure Spending. The agreement provides \$4 billion for the Clean Water State Revolving Fund, which provides grants to states for wastewater treatment projects. It appropriates \$2 billion for the Drinking Water State Revolving Fund, which provides grants to states for drinking water infrastructure projects.

- The measure provides \$4.6 billion for the Army Corps of Engineers to accelerate completion of ongoing water projects and beginning construction of new projects, with priority directed to projects that can be completed with one year.
- The measure also provides funds for renovations to federal facilities and equipment across several different departments, including military bases, hospitals, vehicle fleets, and other government structures. The funds would be used for weatherization and installation of more energy-efficient technologies.

Environmental Clean-Up/Clean Water

- \$100 million for clean-up of 'brownfield' former industrial sites. For more information visit

epa.gov where they will be posting information in the coming weeks.

- \$1.2 billion for EPA's nationwide environmental cleanup programs, including Superfund.
- \$1.38 billion to support \$3.8 billion in loans and grants for needed water and waste disposal facilities in rural areas.
- \$18 billion for clean water, flood control, and environmental restoration
 - o Clean Water State Revolving Fund: EPA estimates a \$388 billion funding gap. The Association of State and Interstate Water Pollution Control Administrators found that 26 states have \$10 billion in approved water projects.

Benefits for Pennsylvania:

\$157.6 million through the Clean Water State Revolving Fund to address the backlog of clean water infrastructure needs

- o Drinking Water State Revolving Fund: The National Governors Association reported that there are \$6 billion in ready-to-go projects, which could quickly be obligated.
- o Rural Water and Waste Disposal: In 2008, there were \$2.4 billion in requests for water and waste loans and \$990 million for water and waste grants went unfunded.
- o Corps of Engineers: The Corps has a construction backlog of \$61 billion.
- o Bureau of Reclamation: The Bureau has backlogs of more than \$1 billion in rural water projects and water reuse and recycling projects.
- o Watershed Infrastructure: Funds for the Natural Resources Conservation Service watershed improvement programs to design and build flood protection and water quality projects, repair aging dams, and purchase and restore conservation easements in river flood zones.
- o International Boundary and Water Commission: Funds to repair flood control systems along the international segment of the Rio Grande damaged by hurricane Katrina and other serious storms.

\$6 billion is directed towards environmental cleanup of former weapon production and energy research sites.